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SELECT STANDING COMMITTEE
ON
CROWN CORPORATIONS

FIRST REPORT

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November 7, 2002

To the Honourable,
The Legislative Assembly of the
Province of British Columbia
Victoria, British Columbia

Honourable Members:

I have the honour to present herewith the *First Report* of the Select Standing Committee on Crown Corporations for the Third Session of the Thirty-Seventh Parliament.

The *First Report* covers the work of the Committee from May 2002 to October 2002.

Respectfully submitted on behalf of the Committee.

Mr. Ken Stewart, MLA
Chair

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COMPOSITION OF THE COMMITTEE

MEMBERS

Ken Stewart, MLA	Chair	Maple Ridge-Pitt Meadows
Bill Bennett, MLA	Deputy Chair	East Kootenay
Pat Bell, MLA		Prince George North
Tony Bhullar, MLA		Surrey-Newton
Ida Chong, MLA		Oak Bay-Gordon Head
Dave Hayer, MLA		Surrey-Tynehead
Daniel Jarvis, MLA		North Vancouver-Seymour
Ken Johnston, MLA		Vancouver-Fraserview
Joy MacPhail, MLA		Vancouver-Hastings
John Nuraney, MLA		Burnaby-Willingdon
Dr. John Wilson, MLA		Cariboo North

CLERK TO THE COMMITTEE

Craig James, Clerk of Committees and Clerk Assistant

COMMITTEE RESEARCHERS

Audrey Chan, Committee Researcher

Josie Schofield, Research Analyst (to September 2002)

TERMS OF REFERENCE

On May 30, 2002, the Select Standing Committee on Crown Corporations was appointed to review the annual reports and performance plans of British Columbia Crown corporations.

In addition to the powers previously conferred upon the Select Standing Committee on Crown Corporations, the Committee be empowered:

(a) to appoint of their number, one or more subcommittees and to refer to such subcommittees any of the matters referred to the Committee;

(b) to sit during a period in which the House is adjourned, during the recess after prorogation until the next following Session and during any sitting of the House;

(c) to adjourn from place to place as may be convenient; and

(d) to retain personnel as required to assist the Committee,

and shall report to the House as soon as possible, or following any adjournment, or at the next following Session, as the case may be; to deposit the original of its reports with the Clerk of the Legislative Assembly during a period of adjournment and upon resumption of the sittings of the House, the Chair shall present all reports to the Legislative Assembly.

CHAIR'S COMMENTS

We have now completed the design of a review process that we believe will allow for Crown corporations to present to the Committee in a forum and style that generates accountability and transparency. Crown corporations have completed their Core Review and Deregulation Task Force reviews and should now have clear, measurable guidelines and mandates as they continue to refine their service plans. The role of our Committee is to identify the strategic shifts, while ensuring that the outcomes of these service plans are consistent, measurable, transparent to the public and maintain the integrity of government's strategy for Crown agencies.

After the first round of hearings, we hope to establish a baseline for future reviews. This initial round of reviews will be part of an ongoing process that may include future requests for information or clarification from Crowns after their appearance before the Committee or prior to their next review. It is the intention of the Committee that the Crown corporations of British Columbia be reviewed on a regular basis, or as recommended by the Committee.

This report to the Legislature focuses on the review of four Crown corporations that have come before the Committee since the Spring Sitting of the Third Session adjourned on May 30, 2002.

Mr. Ken Stewart, MLA
Chair

INTRODUCTION

The Select Standing Committee on Crown Corporations was instructed by the House on May 30, 2002, to review the annual reports and service plans of B.C. Crown corporations. In its oversight role, the main objectives of the Committee are to enhance accountability and improve public performance reporting of Crown corporations.

Drawing upon the preparatory work it had done during the Second Session of the 37th Parliament, the Committee began the review phase of its work in June 2002. Its meeting with the British Columbia Buildings Corporation on July 8 represented the first review of a provincial Crown by a legislative committee since 1983.

To date, the Committee has held six meetings, including two planning sessions on June 25 and July 24. On July 8, September 4 and October 2, the Committee reviewed the service plans and annual reports of four Crown corporations that have completed the core services review: the British Columbia Buildings Corporation; the British Columbia Lottery Corporation; Tourism British Columbia; and British Columbia Transit. The Committee deliberated on its interim report on October 23. Other Crown corporations scheduled for upcoming reviews include the B.C. Securities Commission.

The Committee would like to acknowledge the cooperation of the senior officers who have appeared before the Committee thus far. As we expect our mandate to review Crown corporations to be ongoing, we look forward to the opportunity to meet with them again in the future.

COMMITTEE REVIEW PROCESS

The annual reports and service plans submitted by the Crown corporations for the Committee's review were prepared in accordance with the requirements of the amended *Budget Transparency and Accountability Act (BTAA).*

The Act was passed in July 2000 by the B.C. Legislature to establish an accountability framework and requirements for government and government-related organizations. In August 2001, the Act was amended, requiring the annual reports and three-year service plans of government organizations to be made public annually. The amended BTAA stipulates that a service plan must

- be consistent with the current government strategic plan;
- include a statement of goals, specific objectives and performance measures, information about major capital plans, as well as other appropriate or prescribed information; and
- be readily comparable to information contained in the service plans of other organizations to which the BTAA applies.

In addition, section 16(3)a of the BTAA requires that an annual report compare actual results for the preceding fiscal year with the expected results identified in the service plan for that fiscal year.

In order to facilitate the review process and to ensure that the same set of criteria is consistently applied in its review of Crown corporations, the Committee has prepared a *Guide to Operations*, which outlines the review process and expectations regarding minimum information requirements. To assess each Crown, committee members considered the 11 key reporting principles contained in the *Guide* (see Appendix 1), as well as other issues of concern or interest arising from the corporation's presentation to the Committee.

In preparation for their presentation, senior officers of the Crown corporations are informed of the review process and provided with the *Guide*. Prior to each meeting, committee members have the opportunity to review the annual report and service plan of the selected Crown. The annual reports and service plans of all Crown corporations, as well as the hyperlink to the homepage of each Crown, are available on the website of the Crown Agencies Secretariat at www.gov.bc.ca/cas/popt/.

This report addresses issues that are common to the four Crown corporations reviewed to date, as well as issues specific to each Crown. Notwithstanding the different strengths and weaknesses found in each Crown's annual report and service plan, the Committee has identified several common themes that apply to all of them. With respect to each specific Crown, this report summarizes the Committee's overall assessment of the annual report and service plan reviewed. Committee members have also identified issues specific to each Crown for ongoing monitoring and future review.

For further reference, committee proceedings and transcripts are available at www.legis.gov.bc.ca/cmt/.

COMMON THEMES

This section of the report identifies common issues and themes that have emerged from the Committee's review of four Crown corporations to date. These include the adequacy of the Crowns' budget forecasting; and the presentation of cross-jurisdictional comparative data for benchmarking purposes.

BUDGET FORECASTING

During the review process, some members voiced concerns that Crown corporations have not taken into account the possibility that they will have to pay full property taxes, instead of grants-in-lieu, in future budget years. Members observed that if Crowns do not consider the financial implications of paying full property taxes as a factor in their budget forecasting, there may be a shortfall in the actual budgets of upcoming fiscal years. To improve the effectiveness of the Crown corporations' budget forecasting, members expressed an interest in seeing how the payment of full property taxes might impact Crown corporations' finances and what measures Crown corporations might have in place to mitigate such effects.

COMPARATIVE DATA FOR BENCHMARKING

For the purpose of benchmarking performance, committee members suggested that it would be helpful for the Crowns to include comparative data from other jurisdictions so that the performance of B.C. Crown corporations may be put into a broader context. While members recognized that different Crown corporations may use different industry-specific performance measures, comparative data such as the ratio of expenditure to revenue or industry-wide averages of wages and benefits were cited as useful examples.

GENERAL RECOMMENDATIONS:

The Committee recommends that:

1. Crown corporations include the financial implications of paying full property taxes as a factor in their budget forecasting;
2. Crown corporations include, where it exists, comparative data on performance measures from other jurisdictions for benchmarking purposes;
3. Crown corporations appear before the Committee for follow-up reviews in accordance with the schedule set out in Appendix 2 of this report.

REVIEW OF BRITISH COLUMBIA BUILDINGS CORPORATION

On July 8, 2002, the Crown Corporations Committee met with the senior officers of the British Columbia Buildings Corporation (BCBC), and reviewed the following documents:

- BCBC *Service/Strategic Plan 2002-2005*
- BCBC *Performance Plan 2001-2004*
- Excerpts from the draft Annual Report 2001/02[1]
- "Alignment of BCBC Service Plan with Government Strategic Plan"
- *Maximizing Value for Customers, Shareholder and Communities* (BCBC 2001 Annual Report)

COMMITTEE OBSERVATIONS

In reviewing BCBC, the Committee considered the 11 key reporting principles outlined in its *Guide to Operations* (see Appendix 1). During their internal deliberations, committee members made the following observations:-

1. Overall, the majority of committee members found that the BCBC service plan adequately explains the organization's mandate, core products and services, operating environment and major challenges.

2. By and large, committee members found that the BCBC service plan is satisfactory and focuses on aspects of performance that are critical to the organization achieving its goals, objectives and intended results.

3. Members felt that, in general, the goals and objectives are well-defined and consistent with and supportive of the achievement of the corporation's mandate.

4-5. Although the Committee was satisfied that the intended level of performance for the planning period is specified, the majority of committee members only partly agreed that the intended results identified in the service plan are clear, measurable, concrete and consistent with goals or objectives. Some members expressed the concern that there is little accountability for "Best Value" in the corporation. It appeared to these members that BCBC is able to pass their costs onto a ministry if they fail to achieve best value, operating on the basis that "if BCBC did it, it must be ok."

6. The Committee found that the service plan has demonstrated satisfactorily that intended results represent a reasonable/appropriate level of achievement given historical performance, resources available to the organization, and performance of similar organizations. The majority of the extracts of the draft Annual Report 2001/02 showed results that are reasonable and members found that comparative data on private-sector performance are of value, although it was pointed out that the service plan should include explanations of potential negative results.

[1] Note: The complete report was released during the week following the Committee's review.

7. The Committee found that the BCBC service plan does not sufficiently demonstrate how resources and strategies will influence results. Members expressed concerns that the service plan lacks sufficient detail, and that it is not in-depth enough to explain how the corporation will achieve positive results using "what-if" analysis.

8. Most members were satisfied that financial and non-financial performance measures are provided to give an integrated and balanced picture of intended performance.

9. The majority of committee members were only partially satisfied that the planned contribution of key activities to intended results or goals/objectives is adequately demonstrated in the service plan. Members cited the lack of sufficient detail as a weakness in the service plan.

10. The Committee agreed that actual and intended performance results in the annual report and service plan respectively are set out in a clear comparison. Some members suggested that the inclusion of performance information for the two previous years would make the comparisons more effective.

11. Overall, members agreed that the relevant core principles enunciated by Government policies are evident in the planning and operations of BCBC, and commended BCBC for its use of market-based pricing for properties, its practice of devolving surplus properties, and its energy management program. Concern was expressed with respect to one area – that the leadership of BCBC has not bought into the government's philosophy, and seems to be more focused on appearing to do the right thing than actually doing it. Members were of the view that BCBC should be more aggressive in asserting its "best plan" to achieve targets established within government and centered on government's objectives.

ISSUES FOR FUTURE REVIEW

Arising from its initial review, the Committee identified the following issues for ongoing monitoring and future review.

- **Ongoing monitoring of BCBC's achievement of sales and income targets**

  Members expressed reservation about BCBC's sales and income targets for forthcoming fiscal years, and asked how confident BCBC was in achieving the targets. In particular, some members observed that BCBC should review its policy of selling properties that have economic potential to maximize return to government. The witnesses informed the Committee that the corporation has certain expectations on what properties it would sell over a period of time. As it is expected that the number of sales will increase over the planning period, the corporation is comfortable with the targets as set out in the service plan.

- **Long-term modelling**

  Members expressed an interest in seeing more information on how future potential scenarios (for example, a decrease in the ratio of owned to leased properties; major risk factors such as the government accommodation restructuring initiative, full property taxation, rise in interest rates; etc.) will impact BCBC's bottom line – for example, over the next ten, 20, 30 or 40 years. The witnesses informed the Committee that BCBC has

done some modeling, and that preliminary information, which is being prepared for an upcoming BCBC Board's review (in October), may be provided to the Committee.

- **BCBC's contribution to government's shared services initiative**

  Committee members were interested in how BCBC is contributing to current government initiatives with respect to shared services in ministries. The witnesses informed committee members that the corporation is looking at enhancing the shared services model by entering into service level agreements with their clients, moving into full workplace provisioning and implementing other similar initiatives that will provide higher levels of choice.

- **Impact of BCBC's disposition of courthouses on rural communities**

  Some members noted that BCBC has been given the mandate to maximize proceeds of dispositions from the sale of courthouse buildings, and that rural communities are being asked by the provincial government to buy the buildings and to develop plans with the Attorney-General to provide circuit court services. These members were of the view that BCBC should show at least as much initiative and flexibility as these rural communities are being asked to show, by working cooperatively with the communities on purchase price, purchase terms and lease terms.

COMMITTEE RECOMMENDATIONS:

The Committee recommends that:

4. the BC Buildings Corporation address the Committee's assessment of the strengths and weaknesses of the corporation's annual report and service plan;
5. the BC Buildings Corporation implement the Committee's observations and suggestions for improvements in the corporation's future annual reports and service plans – in particular with respect to key reporting principles #5, 6, 7, 10, and 11 as outlined under the "Committee Observations" section;
6. the BC Buildings Corporation, at its next appearance before the Committee, provide a progress report to the Committee with respect to the following issues: BCBC's ability to achieve its sales and income targets; BCBC's contribution to the government's shared services initiatives; the impact of BCBC's disposition of courthouses on rural communities.

REVIEW OF BRITISH COLUMBIA LOTTERY CORPORATION

On September 4, 2002, the Crown Corporations Committee met with the senior officers of the British Columbia Lottery Corporation (BCLC), and reviewed the following documents:

- BC Lottery Corporation *2001/02 Annual Report*
- BC Lottery Corporation *Service Plan Fiscal 2002/03 – 2004-05*

COMMITTEE OBSERVATIONS

In reviewing BCLC, the Committee considered the 11 key reporting principles outlined in its *Guide to Operations* (see Appendix 1). During their internal deliberations, committee members made the following observations:-

1. Overall, the Committee concluded that BCLC has done a good job of explaining the organization's mandate, core products and services, operating environment and major challenges in its service plan. Two minor weaknesses were noted in the service plan: the overuse of buzzwords to describe the obvious, and oversimplified strategic shifts that do not reflect measurable actions.

2. The Committee agreed that the service plan focuses on aspects of performance that are critical to the organization achieving its goals, objectives and intended results.

3. In general terms, members found the organization's goals and objectives to be well-defined and consistent with and supportive of the achievement of the BCLC mandate. Committee members suggested that "quality gaming" could be redefined for greater clarification, and it was noted that the relationship between the goals and objectives of the operating segments and the organization as a whole is not yet clear.

4-5,8. Committee members agreed that the intended level of performance for the planning period was specified – in particular, specific numbers were provided for financial performance measures and details were given on non-financial measures. In addition, the Committee found that intended results are clear, measurable, concrete and consistent with the goals or objectives set out in the service plan. The Committee also concluded that the financial and non-financial performance measures provided give an integrated and balanced picture of intended performance.

6. However, the Committee felt that the service plan has not demonstrated satisfactorily that intended results represent a reasonable and appropriate level of achievement given historical performance, resources available to the organization, and performance of similar organizations – i.e. the corporation has not put forward an "improving" scenario. Specifically, some members pointed out that performance measures such as employee satisfaction surveys, absenteeism and turnover rates seem regressive in nature. In addition, some members were of the view that there is opportunity for more aggressive growth in the summary financial outlook of the corporation – that the projections provided appeared to be very conservative.

7, 9. The Committee felt that the service plan only partially demonstrates how resources and strategies will influence results, and that the planned contribution of key activities to intended results or goals and objectives are only partially demonstrated. Committee members noted that they were able to get the relevant answers from the witnesses during the review, but details were missing from the presentation. In addition, some members suggested that if BCLC priorized their six goals and objectives, it would be useful to the Committee in its performance evaluation of the corporation.

10. The Committee found that actual and intended performances as provided in the annual report and service plan respectively are not set out in a clear comparison.

11. The Committee agreed that the relevant core principles enunciated by Government policies are evident in the planning and operations of the corporation.

ISSUES FOR FUTURE REVIEW

Arising from its initial review, the Committee identified the following issues for ongoing monitoring and future review.

- **Ongoing monitoring of BCLC's growth expectations and achievement of sales targets**

  Members expressed concern that the growth expectations and sales targets as set out in the service plan may be unrealistic and a bit high, given that BCLC is projecting diminishing cycles for its three business revenue generators (bingo, horse racing, lotteries). The witnesses responded that projected sales are expected to be met through the rejuvenation of products, aggressive marketing, and the opening up some new distribution channels for BCLC's products. The Chair of the corporation also confirmed that the Board of BCLC is comfortable with the targets set out in the service plan and have confidence that the targets will be met.

- **Ongoing monitoring of BCLC's performance targets**

  Members felt that some of the performance targets in the service plan – for example, in the areas of employee absenteeism, employee turnover rates, employee satisfaction rates, on-line gaming system availability, and customer satisfaction – seem to be regressive, and should be reviewed for better progress.

- **Ongoing review of BCLC's policies regarding community sponsorship programs**

  Members asked the witnesses about current and future policies regarding community sponsorships undertaken by the corporation. The Committee was informed that as part of the overall budgetary reductions in the current fiscal year, BCLC has made some significant reductions in the amount of dollars available for community sponsorships. In addition, the corporation has established some broad criteria for sponsorship, which will be continually reviewed and refined.

- **Accountability for problem gambling program funding**

  Members expressed some concerns with respect to accountability for program fundings. For example, committee members learned that budget allocations to deal with problem

gambling have been increased from $2 million to $4 million in the current fiscal year; however, they felt that further clarification is needed with respect to the rationale/basis for the increased amount, the criteria for determining budget allocations, the audit process to ensure accountability of the money being spent. In response, the witnesses explained that although the money comes out of the revenue of BC Lottery Corporation, the programs and services being funded are administered by the gaming policy secretariat under the Ministry of the Solicitor-General. Thus, program review and evaluation for problem gambling is actually the responsibility of the Ministry.

- **Ongoing monitoring of Internet gambling issues**

  Some members identified Internet gambling and Internet problem gambling as emerging issues that should be monitored in future reviews.

COMMITTEE RECOMMENDATIONS:

The Committee recommends that:

7. the BC Lottery Corporation address the Committee's assessment of the strengths and weaknesses of the corporation's annual report and service plan;
8. the BC Lottery Corporation implement the Committee's observations and suggestions for improvements in the corporation's future annual reports and service plans – in particular with respect to key reporting principles #1, 3, 6 and 9 as outlined under the "Committee Observations" section;
9. the BC Lottery Corporation, at its next appearance before the Committee, provide a progress report to the Committee with respect to the following issues: BCLC's achievement of its sales targets; BCLC's policies regarding community sponsorship programs; and BCLC's role in monitoring Internet gambling and Internet problem gambling;
10. that the BC Lottery Corporation re-evaluate its performance targets in the areas of employee absenteeism, employee turnover rates, employee satisfaction rates, on-line gaming system availability, and customer satisfaction for better progress.

REVIEW OF TOURISM BRITISH COLUMBIA

On October 2, 2002, the Crown Corporations Committee met with the senior officers of Tourism British Columbia, and reviewed the following documents:

- Tourism British Columbia *Three-Year Service Plan Highlights: 2002/03 – 2004/05*
- Tourism British Columbia *Annual Report: 2001/02*
- *Program Guide April 2002 to March 2003: A directory of Tourism BC programs and how you can participate*
- *The Value of Tourism: Building Tourism with Insight*

COMMITTEE OBSERVATIONS

In reviewing Tourism BC, the Committee considered the 11 key reporting principles outlined in its *Guide to Operations* (see Appendix 1). During their internal deliberations, committee members made the following observations:-

1. Overall, the Committee found that Tourism BC has done a good job of explaining the organization's mandate, core products and services, operating environment and major challenges in its service plan. In fact, members highlighted the service plan as "one of the most informative and best organized one reviewed to date," except for one omission in the service plan – that there is no mention of the *Beautiful BC* magazine, which Tourism BC acquired on June 15, 2001.

2. The Committee found that the Tourism BC service plan adequately focuses on aspects of performance that are critical to the organization achieving its goals, objectives and intended results. In particular, one member observed that within the context of limited funding, Tourism BC has focused on the need to concentrate on areas where best return on effort and resources is received, such as hosting the *DERTOUR Reisakademie* in Vancouver from November 28 to December 10, 2001, and sticking to long-term strategies. One weakness noted by members is that the service plan does not show the stated objective of doubling the tourism revenue, one of the mandated goals arising from the core services review of the corporation.

3. By and large, committee members agreed that Tourism BC's goals and objectives are well-defined and consistent with and supportive of the achievement of the corporation's mandate.

4-5. The Committee found that the intended level of performance for the planning period could be more specific, and should be more consistent with the corporation's goal of doubling revenue. Members also only partly agreed that the intended results are clear, measurable, concrete and consistent with the goals or objectives set out in the service plan.

6. The majority of committee members felt that the service plan has demonstrated satisfactorily that intended results represent a reasonable and appropriate level of achievement given historical performance, resources available to the organization, and performance of similar organizations, although it was observed that the plan could be more aggressive and could include comparisons to other jurisdictions. One member commended

Tourism BC for its "stellar" international and national reputation and its successful operations of visitor information centers.

7. The majority of committee members felt that the service plan adequately demonstrates how resources and strategies will influence results. Some members highlighted the destination management system as a key element to Tourism BC maintaining its high performance levels.

8. The Committee found that the information provided gives an integrated and balanced picture of intended performance – especially with respect to the corporation's projected growth and sources of tourism business over the next three years, although a concern was raised that the data may be suspect due to the source.

9. The Committee was of the view that Tourism BC's decision to focus on maintaining BC products rather than introducing new products is a rational response to limited resources and will keep the corporation on track in achieving its targets, although members felt that the planned contribution of key activities to intended results or goals and objectives is only partially demonstrated in the service plan, and lacks sufficient details.

10. The majority of committee members found that actual and intended performances as provided in the annual report and service plan respectively are set out in a clear comparison.

11. The Committee concluded that the relevant core principles enunciated by Government policies – for example, the use of technology, making the best use of tax dollars, growing the tourism industry – are evident in the planning and operations of the corporation.

ISSUES FOR FUTURE REVIEW

Arising from its initial review, the Committee identified the following issues for ongoing monitoring and future review.

- **Impact of technological changes on Tourism BC's planning strategies**

  Members noted that the witnesses referred to technology as being a key component of Tourism BC's marketing programs. They expressed an interest in learning more about the corporation's planning strategies and priorities with respect to developing and using technology to enhance Tourism BC's marketing capabilities. The witnesses informed the Committee that Tourism BC has developed a technology plan and identified its technology requirements, and is currently exploring options for appropriate technology solutions. Another key strategy is to implement the destination management system, which is intended to adapt to the trend of increased Internet usage by consumers for travel bookings. Tourism BC is also engaged in initiatives to centralize and digitize its information databases.

- **Ongoing monitoring of the *Beautiful British Columbia* magazine operations**

  In reviewing the 2001/2002 financial statements of Tourism BC, committee members observed a shortfall of approximately $0.3 million between the revenue and expeditures of the *Beautiful British Columbia* magazine operations. They asked whether the magazine had been losing or making money under the previous ownership, and

expressed concerns that Tourism BC's profit projections for the magazine might be overly optimistic. The witness responded that although the previous owner had lost money on the magazine, Tourism BC feels that with a program of revitalization and aggressive marketing, subscriptions would be increased sufficiently to allow the magazine to earn net profits – forecast to be $52,000 in 2002/03 and $150,000 in 2003/04. The witnesses added that the shortfall in 2001/02 included one-time restructuring costs not expected to occur again.

- **Identification of Tourism BC's performance targets**

  With respect to performance tracking, committee members asked whether it is customary for Tourism BC to identify target markets with potentially high yields and track the return-on-investment of expenditures targeted at such markets. They were informed that Tourism BC's marketing strategies are based on identification of specific target markets. In addition, to the extent of the corporation's control, Tourism BC assesses the return-on-investment on its programs.

- **Impact of the airport security tax on regional tourism**

  Some members asked how the implementation of security tax at airports has impacted tourism in B.C. The witnesses responded that the security tax has had, and continues to have, significant and negative impact on travel throughout B.C. The witnesses also reported that Tourism BC is taking an aggressive approach in communicating BC's concerns to the federal government, with the support of various industry organizations and the Minister of Competition, Science and Enterprise Rick Thorpe.

- **Maintaining a cooperative working relationship between the tourism industry and resource sectors**

  Some members were interested in whether Tourism BC has identified strategies in its long-term plan to promote and incorporate BC's resource sectors as a component of BC's tourism attractions. Recognizing that there might, at times, be inherently conflicting objectives between the two sectors, the witnesses responded that Tourism BC has maintained a close working relationship with resource-industry organizations (such as the Forest Council, the Sport Fishing Institute) to ensure that both sectors have the ability to go forward in a harmonious fashion. The witnesses also added that because applied industrial tourism activities (for example, tours of the W.A.C. Bennett Dam) are often specific to a region, relevant strategies are generally developed by regional tourism associations. In such cases, the role of Tourism BC is to work with the regional tourism association in bringing visitors into the specific region.

COMMITTEE RECOMMENDATIONS:

The Committee recommends that:

11. Tourism BC address the Committee's assessment of the strengths and weaknesses of the corporation's annual report and service plan;
12. Tourism BC implement the Committee's observations and suggestions for improvements in the corporation's future annual reports and service plans – in particular with respect to key reporting principles #1, 2 and 6 as outlined under the "Committee Observations" section;
13. Tourism BC, at its next appearance before the Committee, provide a progress report to the Committee with respect to the following issues: the corporation's planning strategies and priorities with respect to developing and using technology; Tourism BC's management of the *Beautiful BC* magazine operations; the impact of airport security tax on regional tourisms in BC; and the development of industrial tourism activities in cooperation with resource-sector industries.

REVIEW OF BRITISH COLUMBIA TRANSIT

On October 2, 2002, the Crown Corporations Committee met with the senior officers of British Columbia Transit (BC Transit), and reviewed the following documents:

- BC Transit *2001/2002 Annual Report*
- BC Transit *Service Plan: Fiscal Years 2002-2005*
- Follow-up correspondence (via e-mail) from Tony Sharp, Vice President - Finance & Administration and Chief Financial Officer, BC Transit to the Select Standing Committee on Crown Corporations (c/o Craig James), October 15, 2002.

COMMITTEE OBSERVATIONS

In reviewing BC Transit, the Committee considered the 11 key reporting principles outlined in its *Guide to Operations* (see Appendix 1). During their internal deliberations, committee members made the following observations:-

1. Overall, the Committee found that the BC Transit service plan adequately explains the organization's mandate, core products and services, operating environment and major challenges, and explained its organizational structure well. Members suggested that the service plan could be improved by including information on the use of alternative fuel and on fleet development.

2. By and large, committee members agreed that the BC Transit service plan focuses on aspects of performance that are critical to the organization achieving its goals, objectives and intended results.

3. With respect to the organization's goals and objectives, members were only partially satisfied that the goals and objectives are well-defined and consistent with the supportive of the achievement of BC Transit's mandate. They felt that the goals were weak and the objectives could be more specific and detailed.

4-5. In general, the Committee found that the intended level of performance for the planning period was specified, and that the intended results are clear, measurable, concrete and consistent with the corporation's goals and objectives.

6. By and large, committee members felt that the service plan has demonstrated satisfactorily that intended results represent a reasonable and appropriate level of achievement given historical performance, resources available to the organization, and performance of similar organizations. One area of concern raised by members was regarding "poor cost controls."

7-8. Most committee members were pleased that the service plan sufficiently demonstrates how resources and strategies will influence performance results, and felt that the financial and non-financial performance measures provided adequately give an integrated and balanced picture of intended performance. Members noted that in addition to the measures provided on financial and ridership information, the service plan could include more non-financial information such as service levels and the future vision of BC Transit.

9-10. The Committee felt that the planned contribution of key activities to intended results or goals and objectives is adequately demonstrated in the service plan, and that actual and intended performances as provided in the annual report and service plan respectively are set out in clear comparison.

11. The Committee agreed that the relevant core principles enunciated by Government policies are evident in the planning and operations of the corporation.

ISSUES FOR FUTURE REVIEW

Arising from its initial review, the Committee identified the following issues for ongoing monitoring and future review.

- **Use of alternative fuel cells**

  Members expressed an interest in BC Transit's long-term vision for using alternative fuel-cell technology. The witnesses informed the Committee that through previous experiences, BC Transit is aware of both the successes (in terms of environmental benefits) and the failures (cost and reliability of technology) of alternative fuels. The witnesses further reported that through a capital initiative completely funded by the provincial government, BC Transit has bought three P5 production-model engines from Ballard Power Systems Inc. for bench testing. They informed the Committee that if the test engines meet transit industry performance requirements, it is anticipated that fuel-cell technology will be in active use and testing before the 2010 Olympics.

- **Budgetary forecast assumptions for the Victoria regional transit system and the municipal transit systems**

  In reviewing the budgetary forecasts for the conventional transit programs of the Victoria regional system and the municipal systems, members noted that the operating costs per service hour for the conventional transit program are substantially higher – and are projected to increase at a faster rate – in Victoria than in the other municipal systems. The witnesses informed the Committee that the cost differences are due to various factors, including service and network design and cost factors associated with facilities and overhead in a metropolitan setting; generally higher labour costs and standards in Greater Victoria than in the other municipal systems; and a competitive bid process that is in place for the municipal systems but not for the Victoria system.

  Recognizing the labour cost pressures faced by the Victoria regional transit system, members asked whether BC Transit has considered using the tendering-out process for Victoria. The witnesses informed the Committee that open tendering is an option that might be considered although such a model is not reflected in the forecast budget for the Victoria transit system.

- **Ongoing monitoring of BC Transit operating costs**

  In considering the financial and budgetary information provided by BC Transit, members were interested in how BC Transit compares in its operating costs to comparable transit systems in other jurisdictions. The witnesses informed the Committee that BC Transit has found its overall labour cost per hour to be generally

higher than other jurisdictions (a driver's hourly rate of $22.89 in BC compared to the industry standard range of $18 to $20) but that BC Transit generally performs on par with or better than industry averages on most other performance indicators.

- **Ongoing monitoring of BC Transit's profitability**

  Members identified another budgetary concern related to the corporation's profits. They suggested that BC Transit should continue to monitor its revenue and expenditure targets so that when considering its capabilities for expanding services, BC Transit maintains a strategic focus on ensuring that its total cost recoveries will bring continued profitability to the corporation.

COMMITTEE RECOMMENDATIONS:

The Committee recommends that:

14. BC Transit address the Committee's assessment of the strengths and weaknesses of the corporation's annual report and service plan;
15. BC Transit implement the Committee's observations and suggestions for improvements in the corporation's future annual reports and service plans – in particular with respect to key reporting principles #1, 3, 6 and 7-8 as outlined under the "Committee's Observations" section;
16. BC Transit, at its next appearance before the Committee, provide a progress report to the Committee with respect to the following issue: the use of alternative fuel-cell technology as part of BC Transit's long-term vision.

SUMMARY OF COMMITTEE RECOMMENDATIONS

The Committee recommends that:

1. Crown corporations include the financial implications of paying full property taxes as a factor in their budget forecasting;

2. Crown corporations include, where it exists, comparative data on performance measures from other jurisdictions for benchmarking purposes;

3. Crown corporations appear before the Committee for follow-up reviews in accordance with the schedule set out in Appendix 2 of this report;

4. the BC Buildings Corporation address the Committee's assessment of the strengths and weaknesses of the corporation's annual report and service plan;

5. the BC Buildings Corporation implement the Committee's observations and suggestions for improvements in the corporation's future annual reports and service plans – in particular with respect to key reporting principles #5, 6, 7, 10, and 11 as outlined under the "Committee Observations" section;

6. the BC Buildings Corporation, at its next appearance before the Committee, provide a progress report to the Committee with respect to the following issues: BCBC's ability to achieve its sales and income targets; BCBC's contribution to the government's shared services initiatives; the impact of BCBC's disposition of courthouses on rural communities;

7. the BC Lottery Corporation address the Committee's assessment of the strengths and weaknesses of the corporation's annual report and service plan;

8. the BC Lottery Corporation implement the Committee's observations and suggestions for improvements in the corporation's future annual reports and service plans – in particular with respect to key reporting principles #1, 3, 6 and 9 as outlined under the "Committee Observations" section;

9. the BC Lottery Corporation, at its next appearance before the Committee, provide a progress report to the Committee with respect to the following issues: BCLC's achievement of its sales targets; BCLC's policies regarding community sponsorship programs; and BCLC's role in monitoring Internet gambling and Internet problem gambling;

10. that the BC Lottery Corporation re-evaluate its performance targets in the areas of employee absenteeism, employee turnover rates, employee satisfaction rates, on-line gaming system availability, and customer satisfaction for better progress;

11. Tourism BC address the Committee's assessment of the strengths and weaknesses of the corporation's annual report and service plan;

12. Tourism BC implement the Committee's observations and suggestions for improvements in the corporation's future annual reports and service plans – in particular with respect to key reporting principles #1, 2 and 6 as outlined under the "Committee Observations" section;

13. Tourism BC, at its next appearance before the Committee, provide a progress report to the Committee with respect to the following issues: the corporation's planning strategies and priorities with respect to developing and using technology; Tourism BC's management of the *Beautiful BC* magazine operations; the impact of airport security tax on regional tourisms in BC; and the development of industrial tourism activities in cooperation with resource-sector industries;

14. BC Transit address the Committee's assessment of the strengths and weaknesses of the corporation's annual report and service plan;

15. BC Transit implement the Committee's observations and suggestions for improvements in the corporation's future annual reports and service plans – in particular with respect to key reporting principles #1, 3, 6 and 7-8 as outlined under the "Committee's Observations" section;

16. BC Transit, at its next appearance before the Committee, provide a progress report to the Committee with respect to the following issue: the use of alternative fuel-cell technology as part of BC Transit's long-term vision.

APPENDICES

APPENDIX 1: "KEY REPORTING PRINCIPLES" CONSIDERED BY THE COMMITTEE

Questions	Yes	Partly	Not at all	Comments
1. Does the plan adequately explain the organization's mandate, core products and services, operating environment and major challenges?				
2. Does the plan focus on aspects of performance that are critical to the organization achieving its goals, objectives and intended results?				
3. Are the goals and objectives well-defined and consistent with and supportive of the achievement of the mandate?				
4. Is the intended level of performance for the planning period specified?				
5. Are the intended results clear, measurable, concrete and consistent with goals or objectives?				
6. Has the plan demonstrated satisfactorily that intended results represent a reasonable/appropriate level of achievement given: • Historical performance, • Resources available to the organization, and • Performance of similar organizations?				
7. Does the plan demonstrate how resources and strategies will influence results?				
8. Are financial and non-financial performance measures provided to give an integrated and balanced picture of intended performance?				

Questions	Yes	Partly	Not at all	Comments
9. Is the planned contribution of key activities to intended results or goals/objectives adequately demonstrated?				
10. Are actual (Annual Report) and intended (Service Plan) performances set out in clear comparison?				
11. Are the relevant core principles enunciated by Government policies evident in the planning and operations?				

Other General Comments:

APPENDIX 2: RECOMMENDED SCHEDULE FOR FOLLOW-UP REVIEWS OF CROWN CORPORATIONS

Crown corporation reviewed	Date of initial review	Recommended schedule for follow-up reviews
BC Buildings Corporation	July 8, 2002	As requested by the Committee
BC Lottery Corporation	September 4, 2002	As requested by the Committee
Tourism BC	October 2, 2002	As requested by the Committee
BC Transit	October 2, 2002	As requested by the Committee